

# Issues Paper

## *Review of the coordination and funding of financial counselling services across Australia*



### Consultation Process

This paper is designed to commence engagement with stakeholders and frame discussions as part of the review of the coordination and funding of financial counselling services across Australia (the Review).

Ms Louise Sylvan AM is leading the independent Review with support from the Department of Social Services and in consultation with the Treasury and the Department of the Prime Minister and Cabinet. The Review will -

- Assess whether existing financial counselling services adequately support clients' current, emerging or changing needs, including areas such as small business and natural disasters
- Explore the most efficient and appropriate way to deliver financial counselling services
- Consider how to improve the coordination and consistency of delivery of financial counselling services across all jurisdictions in Australia
- Recommend options for improving the predictability and sustainability of funding financial counselling services, including by drawing on successful international funding models and considering options for industry funding, and
- Consider how the use of data can inform policy, service delivery and demand trends.

The Review is expected to run over March 2019 and will engage with state and territory governments; the private and not-for-profit sectors; financial counselling and legal assistance sectors; and relevant Commonwealth agencies.

This paper is provided to stimulate thinking and provide areas on which the Review seeks input. People providing contributions should feel free to raise any other matter of importance (including providing reports/case studies) of relevance to the Review's Terms of Reference. There is no expectation that contributions will cover all questions in this paper but rather that responses reflect the experiences and expertise of the individual or organisation.

Please note some questions are drafted to be thought-provoking and should be considered in this context.

### Existing financial counselling services

Financial counsellors offer free services helping people understand their financial position and the options they have for tackling money and debt problems. They help people to prioritise debts, negotiate with banks and other service providers, lodge disputes with external dispute resolution bodies, access concessions and provide advice or referrals to legal centres or other support services.

Financial counselling is delivered to support individuals experiencing, or at risk of financial hardship and may be related to a particular set of circumstances eg problem gambling, rural and regional location and experiences of family violence.

The Commonwealth and state and territory governments are the main funders of financial counselling with a range of financial counselling services delivered by non-government organisations to support those facing financial hardship.

Examples of initiatives to support the delivery of financial counselling services by jurisdiction include:

### **Commonwealth**

- National Debt Helpline (some state and territory governments also contribute funding)
- Commonwealth Financial Counselling and Capability
- Money Support Hubs
- Rural Financial Counselling Services
- Problem Gambling Services

### **State and Territory**

- Financial Counselling and Outreach Program (ACT)
- Financial Counselling Services Program (NSW)
- Financial Resilience Program (QLD)
- Low Income Support Program (SA)
- Streets Ahead Incentive Program (TAS)
- Financial Counselling Program (VIC)
- Financial Counselling Services (WA)

Financial counselling in Australia facilitates positive client outcomes on a range of measures, including financial capability, debt resolution, advocacy and health and wellbeing.

However, analysis indicates that the sector faces a number of challenges including high demand, fragmented delivery across jurisdictions, and challenges retaining or hiring staff, in particular in regional and remote areas. In addition, the sector has noted challenges with variation in the kinds of support that are funded across jurisdictions and challenges associated with inconsistent and short term grant-based funding streams, noting that government budget and policy cycles can pose external constraints.

### **Complementary Support**

Financial counselling may connect with or complement other support that assists in improving client outcomes such as, but not limited to, consumer hardship policies, emergency relief, financial capability initiatives and legal assistance services.

## **Questions**

### **If your organisation provides a financial counselling service:**

1. Other than funding, what impacts your organisation's ability to effectively support your clients?
2. What service improvements or innovations (in either effectiveness or efficiency) have you considered or made over the last 3 - 5 years? What led to these and what has worked (or what barriers may have inhibited the innovation)?

3. What emerging or changing needs have you identified that are affecting the demand for financial counselling? (What are the drivers for these changes?)
4. Does your organisation currently support small businesses - is this significantly different legally or otherwise to serving a consumer client?

**If your organisation refers or recommends that consumers access the services of a financial counsellor (i.e. if you are a business, firm, ombudsman or other service):**

5. What emerging or changing needs have affected your usage of these services - what are these changes?
6. Have you referred consumers to financial counselling and been informed that there is no availability for the person to be seen? Or that the wait times are extensive? Can you provide any statistics?
7. How do you view the nexus between your organisation and financial counsellors? Is referring people helpful to your company or service? In what ways?
8. How do you support the financial counselling services that you interact with? Please outline what this looks like.

## Funding Models and Coordination

In Australia, there is little industry funding for financial counselling services despite evidence that much of the demand for these services originates directly or indirectly from the private sector i.e. by way of referrals or recommendation. In the United Kingdom, a significant portion of funding from financial services is raised by levies collected by the Financial Conduct Authority from the firms it regulates. Other international jurisdictions, such as Canada, have adopted a means-tested user-pays model whereby nominal fees are charged to each client according to their economic circumstances.

The majority of Commonwealth funding of generalist and targeted financial counselling services is currently delivered through limited term funding agreements with providers. These agreements generally provide a funding stream to partner organisations over a defined, limited period (approximately 4 years, on average) as a block grant. This means that service providers are given a total amount of funding and are given a level of flexibility to utilise funding to meet grant requirements and program objectives.

Currently the Commonwealth and states and territories have separate funding agreements with service providers for financial counselling and there is limited coordination across government as to how, and where, this funding is distributed.

In an Australian context, some stakeholders consider that it would be desirable to move away from a grant-based model and adopt alternate approaches. These alternate approaches may increase the collaboration between Commonwealth, state and territory governments and the private sector, to address the challenges currently faced by the sector. In particular, it has been suggested that those industries that receive the largest benefit from the work of financial counsellors (eg through a reduction in failing accounts) should further develop their engagement in supporting financial counselling services.

# Questions

## Funding

9. *The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, which has led to this Review, highlighted the crucial role of financial counsellors in redressing the imbalance of “knowledge and power between consumers and financial services entities”; this comment holds true in other sectors of the economy as well. What are your views on which sources of funding for financial counselling should be utilised in Australia -
  - a. Should industry contribute and if so, which industries and what forms might such funding take?
  - b. What do you see as the role of governments, in supporting financial counselling services?
  - c. Should consumers be asked to contribute some nominal amount where they are able to?
10. In the case of natural disasters - eg flood, fire, cyclones - should part of government support be to ensure that financial counselling help is available as a matter of course to those adversely affected once critical emergency relief is provided? If so, would this support be prioritised or targeted in any way?

## Coordination

11. If all forms of financial counselling services were better coordinated across jurisdictions how might this impact/benefit: service quality; consistency of service provision; staff retention; and long-term planning?
  - a. What form would such coordination take?
  - b. What elements of financial counselling services are best coordinated at a national level and what requires sub-national levels (regional approaches)?
  - c. What is the role of government in better coordination?
  - d. Are there any potential disadvantages to a coordinated approach?

## Data

12. What data does your organisation (if you are either a financial counselling service provider or organisational user of financial services) collect about financial counselling?
13. Could nationally consistent data collection and analysis be improved through a coordinated approach?
14. Would an enhanced evidence base (including data) enable, for example: improved service delivery; quicker identification of emerging market problems; and/or clearer measures of demand?
15. What can governments contribute to financial counselling services through a data analytic capability?